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INFO RUCNCIS/CIS COLLECTIVE PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 005242

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DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT
DOE FOR HARBERT, HEGBOG, EKIMOFF
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NSC FOR MCKIBBEN

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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)
SUBJECT: RUSSIA-BULGARIA ENERGY: SOUTHSTREAM MOU TO BE
SIGNED NOV 9; BAP "FAR OFF"

REF: A. SECSTATE 150552
[B](#). SOFIA 1240
[C](#). MOSCOW 4691

Classified By: Econ MC Eric Schultz for Reasons 1.4 (b/d)

SUMMARY

[1](#)1. (SBU) Bulgarian Economic Officer Kiril Vachev told us October 31 that Economy and Energy Minister Petar Dimitrov will visit Moscow November 7-9 to sign an MOU on the proposed Southstream gas pipeline (reftels). The MOU will signal political support in principle but leave all details to the future. Separately, he described the Burgas-Alexandropolous oil pipeline (BAP) as a "very complicated" project and predicted that its realization is far off. End summary.

BULGARIAN "POLITICAL SUPPORT" FOR SOUTHSTREAM

[1](#)2. (SBU) In an October 31 meeting at the Bulgarian Embassy, Economic Officer Kiril Vachev told us the Bulgarian government supports the Russian proposal for the Southstream gas pipeline on a political level. He indicated that Russia has lobbied Bulgaria to support the pipeline, but not aggressively. Vachev said Minister Dimitrov will arrive in Moscow November 7 to negotiate the final text of the proposed MOU with the intention of signing it on November 9.

[1](#)3. (SBU) According to Vachev, the document will be an agreement only on the most general principles. All the technical and financial details will be left for future negotiations. He said Bulgaria has a natural interest in hosting such a pipeline given its strategic position in Eastern Europe and the long-term revenue stream such a project might generate. Asked whether the Nabucco project will not have similar benefits, Vachev said he would need to ask Sofia for instructions before responding. (Comment: This could indicate the GOB has settled on, for now, supporting Southstream or it may simply indicate Vachev's ignorance of the issue. In any event, we will follow up. End comment.)

BAP "A LONG WAY OFF"

¶4. (SBU) Turning to oil, Vachev said he was not optimistic that the BAP would materialize any time soon. He said the Bulgarians agreed, after 15 years of talking about the BAP, to give the Russians 51% of the project because, in effect, the Russians had the upper hand -- "they have the oil and could kill the project." The Russians are now pushing to establish a company by the end of this year to manage the BAP, but Vachev didn't believe this was possible.

¶5. (SBU) Vachev repeatedly said the BAP is "very complicated," given the varying and various interests of the three countries involved. Among the potential roadblocks he highlighted the need to clarify the pipeline,s route and obtain legal rights from the many landowners along it. He believed the Greeks have a similar problem. He suggested that environmentalists will likely raise concerns as well, although they haven't yet.

COMMENT

¶6. (C) Ideally, any MOU on Southstream would be for a privately owned and managed pipeline, unbundled from suppliers (i.e. Gazprom). Failing that, the GOR, Gazprom, or any other supplier should be, at best, a minority shareholder. The fact that the MOU will punt tough commercial issues down the road still gives us time to influence the final agreement as well as to lobby on behalf of Nabucco. On the oil front, further delays with BAP could effect CPC expansion. As we understand it (ref C), the

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agreement on CPC expansion has a one year timeline and depends, at least from the Russian viewpoint, on an agreement being reached on the BAP simultaneously. End comment.
Burns